Michigan Energy Efficiency Contractor's Coalition

Response to Energy Efficiency Question

13. Has Michigan, and have other jurisdictions, imposed spending caps? If so, what has the experience been?

Yes, Michigan and other jurisdictions have imposed spending caps on their efficiency programs. The experience these caps can create can be rather disruptive to the energy efficiency market. P.A. Act 295 imposes a 2% spending cap for energy optimization for 2012 and beyond. This multiplier is applied to the utility's previous two years retail load.

In 2013, a disruption in the market is currently being felt. The expenditure of efficiency utility rebates has been very robust. So much so that one investor owned utility (IOU) has significantly curtailed its rebate levels in an attempt to extend access to their program. The state's other IOU has announced that it will be turning off its efficiency program in June.

The disruption caused by a rebate reduction negatively effects ratepayers' perception of the program. This reduction causes energy efficiency contractors to rethink their marketing and pricing strategies as a response to a surprise mid-year change. The experience of a program stopping halfway through the year exacerbates these negative experiences – irreparably keeping many from participating in programs in the future.

In either case the experience for ratepayers is one of confusion that can lead to dismay. They build resentment for a program that has now taken their money and they have limited or no opportunity to access their investment.

In the worst-case scenario, energy efficiency contractors experience loss of work. This leads to a loss of jobs in the energy efficiency industry.

Having to reduce rebates or shut down programs causes significant internal restructuring of direct utility staff and implementation contractors hired to design and managed these programs. In the case of reduction, new marketing pieces and campaigns have to be launched; trainings conducted and handle an increase in customer service calls. All of this adds to the cost of administering the programs, thus reducing the amount of savings that could otherwise be achieved.

In the case of program shut down, utilities and the implementation contractors may be faced with costly employee reassignments or layoffs in the worst-case scenario.

Rather than only having a spending cap mechanism which limits the amount of savings and stifles what is obviously a successful intiative, creating a meaningful incentive for programs the surpass savings achievement would avoid many of the negative experiences associated with spending caps and create a predictable and reliable energy efficiency market.

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